

Mortgage Paper Securities Sample Specific Offering Circular

*NOTE: This **sample form** of a Specific Offering Circular (SOC) contains information that may be applicable to a particular participation loan. This should only be used as a guide in preparing disclosure of material information regarding a mortgage paper securities offering, which may be of interest to a prospective investor. **Other material information relating to a particular offering that are not shown on this sample should be included in the final SOC fact sheet, as applicable.** A preparer of a SOC fact sheet should not depend solely on the information contained in this sample.*

COMPANY NAME

SPECIFIC OFFERING CIRCULAR

Dated: August 1, 2006
Prepared by: Jane Doe, Mortgage Broker-Dealer Representative
ABC Mortgage Broker-Dealer, Inc.
123 Main Street
Anytown, WA 98000

This specific offering circular is intended to present details about a particular securities offering. These securities involve a high degree of risk, and may require additional expenditures by an investor if a default should occur. Investors are urged to carefully read all offering documents in their entirety to determine whether this is a suitable investment for them. There are risks inherent in investing in participation interests in real estate loans, which are more fully described in our General Offering Circular.

Summary of the Offering

Loan Name:	Smith Loan
Loan Number:	012345
Loan Amount:	\$1,000,000
Minimum investment amount:	\$50,000
Interest Rate:	
Spread to Investors:	10%
Spread to the Company:	2%
Total Interest Rate on Note:	12%
Lien Position:	1 st lien position deed of trust and note

This mortgage paper securities offering has been registered with the Securities Division of the State of Washington under the provisions of WAC 460-33A.

The registration of these securities by the Washington Securities Administrator does not signify that the administrator has approved or recommended these securities, nor has the administrator passed upon the adequacy or accuracy of this specific offering circular. Any representation to the contrary is a criminal offense. The mortgage paper securities offered herein are subject to investor suitability requirements under the provisions of WAC 460-33A-031 (See "Investor Suitability Requirements" in the General Offering Circular.)

Remedies are available to the investor for false and misleading statements in connection with this offering (See "Remedies to Investor").

Mortgage Paper Securities Sample Specific Offering Circular

Special Risks

Briefly explain the applicable risk relating to each special risk factor, examples of which include:

- a) Out-of-state collateral
- b) Poor credit history
- c) Special purpose property
- d) REO refinance
- e) Refinance of delinquent loan
- f) Transaction with affiliates or related interests
- g) Other material information

Borrower Information

Name:	John Smith
Address:	789 Blackacre Blvd.; Anytown, WA 98000
Employment:	Construction engineer for Bigtime Development Co.
Number of years in this position:	15 years
Salary:	\$80,000
Net Income:	\$200,000 (in addition to his salary, Mr. Smith has earnings from side projects and income from commercial rentals)
Net Worth:	\$10,000,000
Credit Score:	625 (TransUnion)
Score Legend:	400 or lower = poor credit history, 800 or higher = excellent credit history
Explanation of credit score:	Mr. Smith attributes his mediocre credit score to a history of late payments during his battle with cancer in 2003-2004; he represents that he has been making timely payments since his recovery in early 2005.

Note: Other sources for credit ratings should be identified and an applicable legend should be shown with explanation

Property Information

Address:	456 Blackacre Blvd. Anytown, WA 98000
Description:	Approximately 5 acre parcel platted for 10 single family residential lots located near downtown Anytown, Wash.
Appraised Value:	\$2,000,000
Appraisal Date:	June 1, 2006
Tax Assessed Value:	\$1,500,000
Tax Assessed Value Year:	2006
Description of Junior or Senior Liens:	Property is not subject to any junior or senior liens as verified by Title Ins. Co.
Insurance Information:	Standard lender's title insurance policy from Title Ins. Co., no hazard insurance at this time since there are no improvements on the property

Mortgage Paper Securities Sample Specific Offering Circular

Loan-to-value (LTV) Ratios

Appraised Value (AS IS):	\$2,000,000
LTV based on appraised value:	50%
Tax assessed value (for the year 2006):	
Land	\$1,500,000
Improvements	<u>\$0</u>
Total tax assessed value:	\$1,500,000
LTV based on tax assessed value:	67%
Source of tax assessed value:	Anycounty Tax Assessor's Office

Loan Terms

Loan Amount:	\$1,000,000
Interest Rate:	
Spread to Investors:	10%
Spread to the Company:	<u>2%</u>
Total Interest Rate on Note:	12%
Lien Position:	1 st lien position deed of trust and note
Payment Schedule:	\$10,000 interest only payments due the first of each month
Date Interest Paid To:	September 1, 2006
Maturity Date:	August 1, 2008
Balloon Payment:	\$1,000,000
Commission and Other Fees:	
Loan origination fee:	10% payable to ABC Mortgage Broker-Dealer, Inc. out of the loan proceeds
Loan servicing fee:	½ of 1% payable to ABC Mortgage Broker-Dealer, Inc. from monthly payments due to investors
Prepayment Penalty:	5% payable to ABC Mortgage Broker-Dealer, Inc.
Late Charges:	10% of monthly loan payment amount if payment not received by the 10 th of the month
Disposition:	Late charges and prepayment penalties are payable to ABC Mortgage Broker-Dealer, Inc.
Release Clauses:	Note contains lot release provision specifying lien will be released in return for \$100,000 principal payment on loan per lot
Other terms and conditions:	

Use of Loan Proceeds

Loan Amount:	\$1,000,000
Brokerage Commissions:	\$100,000
Loan Fee:	\$100,000
Payoff existing debt:	\$255,000
Closing Costs:	<u>\$25,000</u>
Net Loan Proceeds to Borrower:	\$520,000
Borrower's explanation of use of net loan proceeds:	Mr. Smith represents the net proceeds of this loan will be used to obtain permits and develop residential lots for sale.

Mortgage Paper Securities Sample Specific Offering Circular

Expected Source of Loan Repayment

Mr. Smith has represented he will repay the loan with proceeds from the sale of the developed lots.

Exhibits

Loan Application	Exhibit A
Financial Statement of Borrower/Guarantor	Exhibit B
Tax Return of Borrower/Guarantor	Exhibit C
Credit Report of Borrower/Guarantor	Exhibit D
Loan Closing Statement	Exhibit E
Escrow Agreement	Exhibit F
Note & Security Instrument	Exhibit G
Title Insurance Report	Exhibit H
Appraisal Report	Exhibit I
Tax Assessed Valuation Statements	Exhibit J
Written Consent from Appraiser	Exhibit K
Relevant Law of _____	Exhibit L
Affidavit of Business Purpose	Exhibit M
Participation Agreement	Exhibit N
Loan Servicing Agreement	Exhibit O
Suitability Questionnaire	Exhibit P
Other Exhibits (environmental reports, etc.)	

Note: This document is not complete unless accompanied by a General Offering Circular, which should be read in conjunction with this document.

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Prepared by:

ABC Mortgage Broker-Dealer Inc.
123 Main Street
Anytown, WA 98000

Acknowledgement of Receipt

The undersigned hereby acknowledges receipt of the following documents:

- ☐ Mortgage Paper General Offering Circular dated _____
- ☐ Specific Offering Circular Number: _____

Exhibits: Loan Application
Financial Statement of Borrower/Guarantor
Tax Return of Borrower/Guarantor
Credit Report of Borrower/Guarantor
Loan Closing Statement
Escrow Agreement
Note & Security Instrument
Title Insurance Report
Appraisal Report
Tax Assessed Valuation Statements
Written Consent from Appraiser
Relevant Law of _____
Affidavit of Business Purpose
Participation Agreement
Loan Servicing Agreement
Suitability Questionnaire
Other Exhibits (environmental reports, etc.)

Investor Signatures:

Dated: _____ by: _____

Dated: _____ by: _____